

Message Text

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INR-07 LAB-04 NSAE-00 SP-02 STR-04 TRSE-00 CIEP-02

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FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 8984

INFO AMCONSUL BOMBAY

AMCONSUL CALCUTTA

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UNCLAS NEW DELHI 15149

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E.O. 11652: N/A

TAGS: ETRD, EPAP, IN, US

SUBJECT: NEW DISBURSEMENT SYSTEM FOR EXPORT OF MILLMADE GARMENTS
TO U.S.DURING 1976-77 QUOTA YEAR

1. ACCORDING TO OCTOBER 13 STORY IN ECONOMIC TIMES WHOSE ACCURACY
WAS CONFIRMED TO EMBOFF BY R. RAMAKRISHNA, JOINT SECRETARY
(TEXTILES) IN MINISTRY OF COMMERCE, A NEW TWO TIER POLICY HAS

BEEN ESTABLISHED FOR THE DISBURSEMENT OF THE QUOTA OF MILLMADE
GARMENTS TO THE U.S. DURING THE PRESENT QUOTA YEAR. UNDER THE
NEW POLICY 60 PERCENT OF THE AVAILABLE QUOTA OF 18 MILLION SQUARE
YARDS OF MILLMADE GARMENTS WILL BE DISBURSED DURING THE FIRST
SIX MONTHS BEGINNING OCTOBER 1, 1976. OF THIS 60 PERCENT,
ONE HALF (I.E. 5.4 MILLION SQUARE YARDS) WILL BE DISBURSED ON
THE BASIS OF HIGH-PRICE REALIZATION. THE OTHER HALF WILL BE
ALLOWED ON A 'FIRSTCOME FIRST SERVED' BASIS (THE FORMULA USED
IN THE PAST FOR ALL QUOTA TEXTILE PRODUCTS EXPORTED TO THE U.S.)
THE GOVERNMENT HAS FIXED A FLOOR PRICE OF DOLS1.50 PER SQUARE
YARD FOR EXPORTERS TO QUALIFY UNDER THE FIRST COME FIRST SERVED
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BASIS. ALSO,THE GOI NOW REQUIRES THAT GOODS MUST BE INSPECTED

BY THE TEXTILES COMMITTEE BEFORE A PARTICULAR QUOTA IS ALLOTTED. THE COTTON TEXTILES EXPORT PROMOTION COUNCIL CONTINUES TO BE IN CHARGE OF ALLOTTING QUOTAS.

2. COMMENT: THE INTRODUCTION OF THE HIGH PRICE REALIZATION FORMULA IS DESIGNED TO OBTAIN HIGHER FOREIGN EXCHANGE EARNINGS FROM BASICALLY THE SAME VOLUME OF MILLMADE APPAREL TO THE U.S. AND TO ENSURE ENTRANCE OF BETTER QUALITY TEXTILE GARMENTS INTO THAT SOPHISTICATED MARKET. THE GOI HAD EARLIER ANNOUNCED THAT ALL QUOTAS FOR EXPORT OF TEXTILES TO THE U.S. IN 1976-77 WOULD BE DECIDED ON THE HIGH PRICE FORMULA (NEW DELHI A-231). HOWEVER, PRIVATE GARMENT EXPORTERS FROM DELHI IN PARTICULAR ARGUED AGAINST THE ORIGINAL DECISION ON VARIOUS GROUNDS: 1) IMPORTERS IN THE U.S. PREFERRED TO BUY LOW PRICE GARMENTS FROM INDIA; 2) UNDER THE OLD SYSTEM NO INDIAN TEXTILE SUPPLIER WAS INCURRING A LOSS ON HIS EXPORTS; 3) SINCE EXPORTS MAINLY CONSISTED OF FASHION GARMENTS, IT WAS NOT POSSIBLE TO PREDICT ACCURATELY THEIR DEMAND IN THE U.S.; 4) CHEATING MIGHT OCCUR UNDER THE HIGH PRICE FORMULA; AND 5) IF THE QUOTA WAS ALLOTTED ON THE BASIS OF FIRST PRICE, THEN EXPORTERS WHO GOT A HIGHER PRICE LATER MIGHT NOT BE ABLE TO OBTAIN A QUOTA. THE GOI THEREFORE DECIDED TO MODIFY ITS ORIGINAL DECISION AND SET UP THE TWO TIER ARRANGEMENT ALSO, THE DIVISION OF DISBURSEMENT INTO TWO SIX MONTH PERIODS WILL HOPEFULLY RESULT IN A MORE ORDERLY FLOW OF MILLMADE APPAREL TO THE U.S. IN ORDER TO PREVENT A DRYING UP OF SHIPMENTS AS A RESULT OF EXHAUSTION OF THIS QUOTA, AS OCCURRED DURING THE 1975-76 QUOTA YEAR. SAXBE

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